FARMERS' NEWSLETTER
Livestock

October 79/L-13

Pork producers marketed record numbers of hogs this summer, and may continue to market near record numbers through the rest of 1979 and into next summer.

Hog slaughter through next summer will be drawn from the current inventory of hogs on farms and from pig crops farrowed from September through February.

The September 1 Hogs and Pigs report put the total inventory of hogs and pigs 16 percent above a year ago. It also showed that producers plan to continue expanding pork production into 1980. Based on this report, here's how production prospects look:

- The inventory of hogs that weighed 60 - 179 pounds on September 1 was up 19 percent from a year ago. These hogs will account for most of the October-December slaughter which could be the second largest on record.

- The inventory of hogs that will make up most of the first quarter marketings was up 16 percent from last September. But slaughter should be up even more than the inventory suggests. That's because last winter, producers were holding hogs--more than 200,000 in the 14 major States--to add to the breeding stock and this year they'll likely be reducing the number of breeding stock. So slaughter during the first quarter of 1980 may be near 24 million head, 20 percent above the first quarter of 1979.

The Farmers' Newsletter is authorized by Congress and written and published by USDA's Economics, Statistics, and Cooperatives Service. Materials in the newsletter are approved by the World Food and Agricultural Outlook and Situation Board.

Principal contributor to this issue:
Robert D. Remmele (202) 447-8143

SEPTEMBER HOG AND PIGS INVENTORY LARGEST SINCE 1970[1]

	1978	1979	1980	% Change 1979/78
Inventory	49,300	56,990		+16
Breeding	7,463	8,237		+10
Market	41,837	48,753		+17
By Weight Groups				
Under 60 lb.	17,631	20,379		+16
60 - 119 lb.	10,447	12,351		+18
120 - 179 lb.	7,921	9,480		+20
180 and over	5,838	6,543		+12
Sows Farrowing				
December-February	2,285	2,660	[2] 2,933 (+10)	16
March-May	2,870	3,486		21
June-August	2,658	3,110		17
September-November	2,796	3,157		13
Pig Crop				
December-February	15,626	18,266		17
March-May	20,716	24,994		21
June-August	19,195	22,253		16
September-November	20,027			

[1] 14 States. [2] Intentions.

- Producers intend to increase sow farrowings by 13 percent during September-November, and breeding is already nearly completed for a planned 10-percent increase in December-February farrowings.

- Slaughter from April through September 1980 will come primarily from the September 1979 - February 1980 pig crop--which could keep slaughter 10 percent above this year's level through next summer.

The increased pork supplies will put heavy downward pressure on hog prices. And so will supplies of competing meats, especially beef and broilers.

Supply Prospects for Competing Meats

In the coming months, beef production will remain at low levels. Excellent grazing conditions this summer and into the fall have enabled feeder cattle producers to hold their cattle on pastures longer than usual--keeping feeder cattle prices high. Feedlot operators have balked at paying these high prices for feeder cattle and movement into feedlots has been slow.

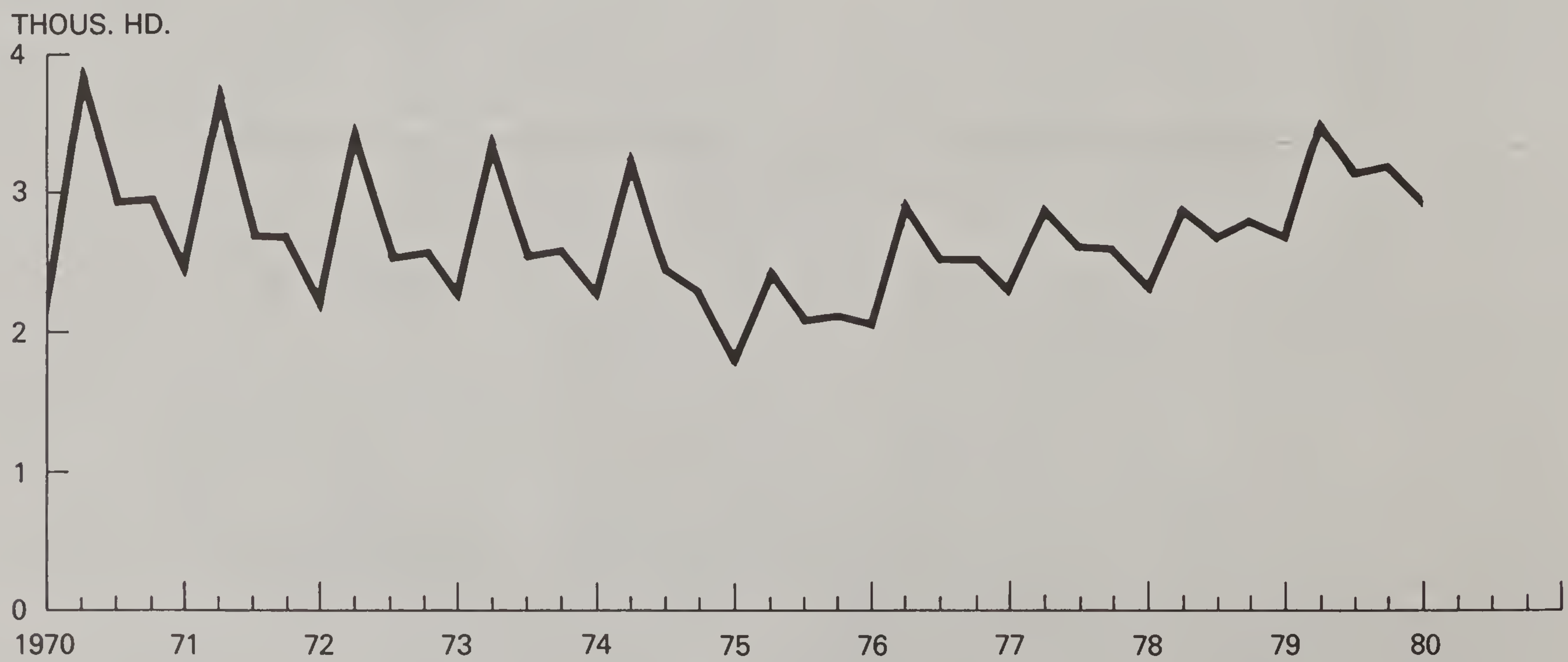
Feedlot placements for the third quarter could be about a fourth below the July-September 1978 level--suggesting beef production sharply below a year earlier this fall and in early 1980.

The October 18 Cattle on Feed report will give a good reading on what beef production is likely to be during the next 3 to 5 months.

Feedlot placements in late fall are expected to increase as cold and drier weather slows pasture growth. If so, beef production during the first half of 1980 may be greater than the second half of 1979--giving pork more competition.

And competing poultry supplies this fall and in early 1980 are also expected to be above year-earlier levels--adding additional pressure to hog prices.

SOW FARROWINGS UP SHARPLY FROM A YEAR AGO



Data are for 14 states.
Intentions reported for fourth quarter 1979 and first quarter 1980.

HOG PRICES DROP BELOW YEAR-EARLIER LEVELS[1]

	1977	1978	1979
		$ per cwt.	
January	39.52	45.99	52.13
February	40.18	48.83	54.42
March.	37.53	47.50	49.38
April	36.97	46.04	45.04
May.	41.79	49.17	43.79
June	43.86	48.31	40.29
July.	45.76	46.78	38.73
August	44.38	48.77	38.21
September	41.40	50.00	
October	40.83	52.23	
November	39.33	48.36	
December	43.99	49.57	

[1] Barrow and gilt prices, 7 markets.

Hog Producer Profit Prospects Poor

Total meat production in the first half of 1980 may be near record levels, with much of the increase coming from the pork and poultry sectors.

However, some of the downward price pressure could come from a slowdown in the economy. And, a harsh winter that requires larger expenditures for heating may reduce expenditures for meat. So look for hog prices well below year-earlier levels.

Barrow and gilt prices at the 7 major markets averaged $52 per hundred pounds in the first quarter of 1979 and $43 in the second. Hog prices continued to decline during the third quarter of 1979 as record numbers of hogs were being marketed; the average price was about $38.50.

The average price for hogs during the fourth quarter should be in the mid-$30's. During the first half of 1980, prices are expected to average in the low $30's and, at times, could drop below $30.

Expansion Continues Despite Poor Prospects

Farrow-to-finish and feeder pig producers are expected to lose money through the first half of 1980 since prices in the low $30's will not be enough to cover production costs.

A continued increase in sow farrowings during March-May of 1980 would extend the time that producers lose money through next fall.

In spite of the poor prospects for the future, hog producers may still increase hog production partially due to improved hog-feed price relationships since the September 1 survey was taken.

Hog prices were over $40 at times during September, compared with the mid-August low of about $36. September corn prices were about 30 cents per bushel below the July price.

Prospects for record crops of corn and soybeans could even lead to some expansion in livestock feeding. Corn growers are beginning to harvest a crop estimated at 7.3 billion bushels, 3 percent larger than a year ago. The soybean crop is estimated at 2.17 billion bushels, 18 percent above a year ago.

Despite record large crops, corn and soybean prices should be about the same or above this year's level--primarily because of larger exports and strong demand here at home.

CORN AND SOYBEAN MEAL PRICES AVERAGE HIGHER

	1977/78	1978/79	1979/80[1]
Corn ($/bu.)	2.02	2.20	2.40-2.70
Soybean meal ($/ton)	164	190	160-200

[1] Estimated.

FARMERS' NEWSLETTER

October 79/L-13

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
FIRST CLASS

U.S. MAIL

This fall, however, the farm price of corn in some areas may be much lower than central market prices since transportation difficulties in the Midwest may prevent the timely movement of some crops.

Thus, there could be large supplies of low-cost feed grains during the breeding season for March-May farrowings. This could slow or delay sell-off of some sows and mean a longer period that hog producers may see red ink.

Producer Options To Cut Losses

Hog producers cannot adjust production levels instantly in response to changing market conditions. However, as the market price of hogs declines this fall, there are several things you can do to reduce losses:

- Keep your marketings current. Heavy hogs have higher costs of gain and increase the amount of pork produced--putting more pressure on hog prices.

- Cull poorer performing sows--especially at times when hog prices strengthen.

- Don't expand your hog production--or your production facilities--at this time.

****

CROP REPORTS AND YOU

USDA crop and livestock reports play a major role in the decisions that farmers and others in agriculture make every day.

Each year, the Crop Reporting Board issues several hundred reports covering 150 crops and 50 livestock and related products.

The estimates in the reports reflect a constant series of surveys of producers, cattle feeders, and organizations working in agriculture.

Although many farmers have been voluntarily participating in these surveys for years, they may not fully understand how the system works and what the estimates mean to agriculture.

Crop Reports and Farmers is a pamphlet from the Crop Reporting Board that outlines the situation. For a free copy, write:

ESCS Publications
Room 0054 South, USDA
Washington, D.C. 20250

****